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Fiscal Survey of the States

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National Association of State Budget Officers

FISCAL SURVEY OF THE STATES

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FISCAL SURVEY OF THE STATES

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1986 FISCAL SURVEY OF THE STATES
WINTER EDITION

INTRODUCTION

The fiscal health of the states mirrors the overall economy. It is marked this year by greatly differing economic changes occurring in certain regions of the country. Many New England and mid-Atlantic states are continuing to experience strong economic activity, while many Midwest, Western, and Southern farm and energy-based states are experiencing fiscal difficulties. No immediate improvement is projected in farm state economies and many Western state economies are now being jolted by the dramatic decrease in the price of oil.

Forty-four states are scheduled to convene in regular legislative sessions this year. Seventeen states with biennial budgets passed their fiscal 1987 budgets last year, although many of these will be adjusted. The remaining fiscal 1987 figures on which this report is based are gubernatorial budget proposals, not enacted budgets. Illinois and Louisiana fiscal 1987 budget figures were not available, since their legislatures meet later in the year.

Overall state fiscal trends show higher than average expenditure growth in fiscal 1986 and moderate growth in fiscal 1987. Fiscal 1986 general fund expenditures are expected to grow 9.7 percent over last year's level, providing for 5.0 percent real growth. In fiscal 1987, proposed budget increases total only 4.6 percent, allowing for 1.0 percent in real growth.

Few governors are proposing any major new spending initiatives; rather states are maintaining the status quo. Once again, education programs headline the governors' agendas, but most proposals request maintenance funding for reforms enacted in prior years. Few tax changes are being proposed this year, and revenue growth is projected to be moderate in fiscal 1986 and 1987, equaling 4.9 percent and 5.8 percent respectively. Tax changes are likely to occur in the West and Midwest (where taxes will rise), and the Northeast (where taxes will be lowered).

Thus far, 16 states have been forced to cut their fiscal 1986 operating budgets, with most of the cuts occurring in the Midwest, West, and South. It is unusual for this relatively high number of states to reduce

budgets in non-recession years. Several states are also examining new or revised tax and expenditure limitations that were popular during the tax revolt several years back.

The fiscal survey of the states for 1986 shows that projected ending balances are relatively small compared to prior years. General fund year-end balances for fiscal 1986 will be $4.3 billion, which represents 2.1 percent of expenditures. For fiscal 1987, the figure is projected to be $3.1 billion, or 1.6 percent of expenditures. Generally, maintaining a 5 percent ending reserve is considered a reasonable and prudent budget practice.

Twenty-nine states have established budget stabilization funds and three governors propose to establish them this year. The projected fiscal 1986 balance in these funds is $2.6 billion, equaling 1.3 percent of expenditures. The fiscal 1987 figure is reported to be $3.0 billion, or 1.6 percent of expenditures. If Alaska is excluded, the figures are reduced to 0.9 percent and 1.0 percent respectively, as measured as a percent of expenditures.

This report is divided into five sections: three which analyze trends in state expenditures, revenues, and ending balances; one which summarizes state fiscal conditions on a regional basis; and one which reviews how states are preparing for federal budget cuts, specifically those scheduled for March 1 under the new Gramm-Rudman-Hollings Budget Act.

I. STATE EXPENDITURE TRENDS

Annual Expenditure Growth. With five months remaining for most states in fiscal 1986, state general fund expenditures are budgeted to increase 9.7 percent from prior year expenditures. The real annual increase, taking into account inflationary adjustments, shows state spending rising by 5.0 percent. A significant portion of this increase can be attributed to the renewed commitment of state government to improve the quality of education.

However, proposed fiscal 1987 budgets recently submitted by governors increase spending just 4.6 percent from fiscal 1986 levels. This would provide for a 1.0 percent real increase in expenditures when adjusted for inflation. This modest increase allows for continued funding

of recently enacted education programs, but provides few resources for any major new initiatives.

The growth rate proposed by governors in fiscal 1987 budgets is the smallest since fiscal 1983. At that time, states were grappling with severe revenue shortfalls induced by the recession, and budgets actually decreased in nominal dollars from the previous year. Since the recession, states have generally budgeted for large annual increases to restore funding cuts, enact popular new programs and reforms, and offset some federal budget cuts.

There is great diversity among the states' fiscal 1986 and 1987 general fund expenditure increases (see Table 1). While 19 states project annual budget growth of more than 10 percent in fiscal 1986, only five states project similar budget growth in the next fiscal year. The most important change between these two years, however, is the number of states that project lower budgets in nominal dollars in fiscal 1987 than in 1986. Typically, budgets increase incrementally each year to offset the higher cost of providing services due to inflation. Currently, 12 states project lower operating budgets than the previous year. Nine of these states—Alabama, Alaska, Kansas, Mississippi, Nebraska, North Carolina, Oklahoma, Texas, and West Virginia—have weakening economies. Three other states—Delaware, Michigan, and Wyoming—have smaller budgets in fiscal 1987, but for reasons not directly related to the economy. Moreover, if inflation-adjusted figures are used, 20 states will not realize any budget growth in fiscal 1987 (see Table 1).

Budget Cuts and Expenditure Postponement. During fiscal 1985, only three states cut their budgets after they were enacted—Hawaii, Louisiana, and Washington. With more than half of fiscal 1986 completed, 16 states have had to enact budget cuts to avoid ending the fiscal year in deficit. Although this figure does not yet match the unprecedented budget cuts that occurred during the recession, when 23 states reduced budgets in fiscal 1982 and 39 states cut back in fiscal 1983, it does signify a serious deterioration of the economy in certain regions of the country.

The budget cuts as a percent of expenditures range from 0.6 percent to 13 percent. Six states shielded the education budget to some degree from the cuts, while other states exempted corrections and welfare programs from the full brunt of the reductions. Three states—Arkansas, Idaho,

Table 1
ANNUAL GENERAL FUND EXPENDITURE INCREASES

	Nominal Change		*Real Change*	
Budget Growth Rate	*Fiscal 1986 (budgeted)*	*Fiscal 1987 (proposed)*	*Fiscal 1986 (budgeted)*	*Fiscal 1987 (proposed)*
Less than 0%	4	12	14	20
0–5%	11	12	16	19
5–10%	16	19	12	8
Over 10%	19	5	8	1
Total States	50	48*	50	48*
Average Growth Rate	9.7%	4.6%	5.0%	1.0%

*Illinois and Louisiana gubernatorial budget proposals were not yet released at the time of publication.

NOTE: The state and local government implicit price deflator was used to change nominal dollars into real dollars. Real increase figures do not take into account population growth.

and Mississippi—were forced to cut their budgets twice. In a similar situation, Oklahoma's governor asked agencies to hold back 3.5 percent of this year's expenditures because preliminary fiscal 1987 revenue projections showed a 7 percent decline for next year, and any savings this year could be applied to the fiscal 1987 budget. Later revenue projections in Oklahoma showed a 9 percent shortfall, and recently the shortfall projection reached 16 percent. Now agencies are asked to save as much as possible this year to help mitigate next year's reduction. Table 2 summarizes state budget cut actions.

Another way to reduce current year expenditures is to postpone spending for future years where feasible. Thus far, seven states have deferred fiscal 1986 expenditures to later years. These are:

Idaho: In fiscal 1985, the legislature appropriated $20 million to raise teacher salaries to the national average. No dollars were appropriated in fiscal 1986, even though teacher salaries are behind by 18.5 percent, and would require another $52 million to catch up.

Table 2
STATE BUDGET CUTS ADOPTED SINCE ENACTMENT OF THE FY85–86 BUDGET
(As of February 1986)

State	*Amount (in millions)*	*Cut as % of Gen. Fund Exp.*	*Action Taken by*	*Selective or Across-the-Board*	*Date Enacted*	*Exempted Program/ Notes*
Arkansas	$ 60.3	4.3%	Governor	selective	11/85 & 2/86	Cuts made according to original budget priorities (1st cut = 1%; 2nd cut = 3.3%)
Colorado	37.8	2.0	Governor	across-the-board	10/85	
Hawaii	32.9	2.0	Governor	selective	7/85	Fixed costs; e.g., retirement and welfare benefits
Idaho	7.6	1.2	Gov.–1st cut Leg.–2nd cut	across-the-board	9/85 2/86	1st cut: schools; corrections cut only 1%; 2nd cut: education, welfare, and corrections
Iowa	80.7	3.85	Governor	across-the-board	10/85	
Louisiana	79.0	1.8	Governor	selective	3/86	
Minnesota	89.0 (FY86)	1.7	Pending in Legislature	selective and across-the-board	n.a.	Debt service; welfare programs; education cut less
	268.0 (FY87)	5.0			n.a	
Mississippi	72.9	4.67	Financial Mgmt Board	selective and across-the-board	11/85 1/86	Education cut less
Montana	7.0	2.0	Governor	across-the-board	1/86	Basic school aid; legislative and judicial budgets

Michigan:	The governor's budget recommends a slowdown in implementation of certain fiscal 1986 mental health programs so that the appropriation can be carried forward to fund fiscal 1987 program growth.
Mississippi:	The state postponed $19 million of capital construction projects.
Oklahoma:	A substantial amount of fiscal 1986 and 1987 expenditures will be delayed until future years. The amount is yet undetermined.
Oregon:	Human resource agencies are delaying some planned expenditures as part of a department-wide rebalancing of the budget.
Utah:	A delay is pending in building a women's prison and a performing arts building at the University of Utah.
Wisconsin:	Some new initiatives will be delayed from fiscal 1987 to fiscal 1988.

State Employees. Since personnel costs are the largest component in state operating budgets, it is important to review proposed compensation packages. Governors are proposing and, where collective bargaining is permitted, unions are negotiating modest pay increases for the upcoming fiscal year. According to survey results, across-the-board salary increases, excluding any merit, step, or fringe benefit increases, total between 3 percent to 5 percent in 26 states and zero to 3 percent in 17 states. In fact, Alabama, Idaho, Kansas, Mississippi, North Dakota, Oklahoma, and Utah are proposing no across-the-board increase in fiscal 1987. Some states could not provide this information since employee negotiations were still pending (see Appendix Table A-7 for more information).

Several states are controlling costs by implementing personnel hiring freezes. Eight states have recently adopted policies that closely control the number of employees that may be hired to replace vacant positions

(see Table 3). Most of these states adopted such policies because of fiscal stress.

In addition, more stringent cost-cutting measures are pending or being implemented by Michigan, Montana, Oklahoma, Pennsylvania, and Wisconsin. These states have begun or are likely to begin furloughing state employees in late fiscal 1986 or 1987.

Governors' Budget Priorities. Each budget session, governors set their spending priorities when they submit their budget plans to the legislature. Clearly, education programs remain the top agenda item for most governors, with 35 states reporting education as a spending priority. Economic development programs appear to be the next major concern, with 24 states identifying this area as a priority. Other major issues selected by states include: human resource programs (15 states), children's programs (8 states), and taxation issues (6 states). Table 4 outlines the top gubernatorial issues for each state.

State Tax and Expenditure Limitations. The tax revolt sparked by passage of California's Proposition 13 in 1978 led 18 states to adopt state tax or expenditure limitations, in addition to balanced budget requirements that 49 states have adopted. Typically, these limitations operate by constraining the annual spending increase allowed for state government budgets. These spending ceilings are usually determined by such factors as the annual increase in the consumer price index, the increase in state personal income, and the change in population.

Thus far, few of these limitations have affected the spending habits of state government, especially since the recession had already depressed state spending. Now, however, several states are approaching their spending limits. These are:

- California, which expects to hit the expenditure ceiling in fiscal 1988;
- Idaho, which is currently close to the ceiling;
- Michigan, which is close to the limit for fiscal 1985;
- Rhode Island, in which the governor's budget proposal is 6.8 percent, and the limit is 5.5 percent (the limit in Rhode Island is nonbinding); and

Table 3
SELECTED FEATURES OF STATE WORKFORCE RESTRICTIONS

State	*Hiring Freeze*	*Layoffs*	*Notes*
Illinois	eff. 12/85		Will carry into 1987. Each agency is assigned head count limitation.
Iowa	eff. 1981		State comptroller must approve position. Proposed government reorganization will cut 963 positions through attrition and early retirement.
Louisiana	eff. 7/85		To June 1986. Only one of four vacancies may be filled.
Michigan		X	Departments must meet employment targets; some layoffs may result.
Mississippi	eff. 1/86		To June 1986. Also freezing promotions.
Montana		X	May be necessary to meet 2 percent cut.
North Carolina	eff. 1/86		Each vacant position to be filled must be reviewed.
Oklahoma	eff. 2/86	X	Hiring and travel must be cleared by central office. A travel freeze is also in effect.
Pennsylvania	eff. 12/82	X	Positions must be reviewed before hiring. DOT announced layoffs of 371 (most offered other jobs). Public welfare will furlough 200 in state mental hospitals.
Texas	eff. 2/86		Excludes "Court order" programs and "most essential" programs. Travel freeze is in effect.
West Virginia	eff. 1/85		Positions must be reviewed before hiring.
Wisconsin		X	Pending; may result from budget cuts.
Wyoming	eff. 7/85		To June 1988. Only to fill authorized positions.

Table 4
GOVERNORS' BUDGET PRIORITIES FOR FY86–87
(three issues per state)

Education (35 states)
Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Hampshire, New Jersey, New Mexico, Ohio, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Utah, Virginia, Washington

Economic Development (24 states)
Arkansas, Delaware, DC, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Massachusetts, Michigan, Missouri, Montana, Nebraska, New Jersey, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Utah, Wyoming

Human Resource Programs (15 states)
Alabama, Alaska, DC, Florida, Illinois, Indiana, Kansas, Maine, Montana, New Hampshire, New York, Oregon, Rhode Island, Texas, Washington

Corrections (9 states)
Alaska, Kansas, Kentucky, Louisiana, Maine, Michigan, Rhode Island, Utah, West Virginia

Children's Programs (8 states)
Arizona, Delaware, Florida, Kentucky, Rhode Island, South Carolina, South Dakota, Tennessee

Taxation (6 states)
Delaware, Idaho, Kansas, New York, Pennsylvania, Vermont

Fiscal Stability (5 states)
California, Colorado, Kansas, Minnesota, Wisconsin

Local Aid (5 states)
Connecticut, Pennsylvania, Rhode Island, South Dakota, Vermont

Public Safety (5 states)
Alaska, California, Hawaii, Michigan, Washington

Transportation and Highways (5 states)
Kentucky, Tennessee, Texas, Virginia, West Virginia

Health (4 states)
Hawaii, Kentucky, Louisiana, West Virginia

Restructuring/Efficiency in Government (4 states)
Iowa, Nebraska, Arkansas, Montana

- Tennessee, where the governor's budget recommendation is less than 1 percent greater than the limit and the legislature must specifically approve the excess spending amount.

Several states are proposing changes in their limit, while other states are considering new ones. These are:

- Alaska. The current limit, which is tied to annual population and inflation, expires this year and must be approved again by popular vote in November. The governor is proposing an amended constitutional version of the limit which would have a ceiling of 115 percent of the prior year's appropriation.
- Massachusetts. A citizen's group has gathered signatures on an initiative petition for a state revenue cap based on personal income. The legislature is likely to pass a substitute measure.
- Nevada. The state has a non-binding limit and the legislature is currently studying a possible revision.
- New Jersey. The spending limit expired and the legislature is reviewing a measure to reenact it. However, there is disagreement as to what the limit should apply.

Aid to Local Governments. Many local governments are experiencing budget pressures, and the pressure will intensify soon if general revenue sharing is terminated by Congress. States have the responsibility of overseeing the fiscal health of local governments and empowering them with sufficient state aid or taxing authority to maintain services. As the federal government continues to cut aid to state and local governments,

Table 4 (continued)
GOVERNORS' BUDGET PRIORITIES FOR FY86–87
(three issues per state)

Other: Law Enforcement (AL, FL); Environmental Conservation (AK); Water Quality (AZ); Housing (CT, DC, MD); Savings & Loan Commitments (MD); Budget Stabilization Fund (MD, MA); Natural Resources (Minnesota); Agriculture (NE, SD); Gaming Control (NV); Employee Compensation (NV, NM, MS); Environment (NJ); Fiscal Reform/Deficit Reduction (NY, VT); Mental Health/Mental Retardation (PA); Solid Waste Mgmt. (PA); Insurance Liability (WY); Capital Construction (CO, WY); University System, (ME); and Maintain Bond Rating (NH)

cities and counties will rely more heavily on state government to make up the difference.

Recently, many states have taken action or plan to do so in the near future. On the revenue side, Iowa, Massachusetts, and Wisconsin have given local governments power to use sales, income, or hotel/motel taxes. Idaho's government is proposing new sales tax authority for local governments this year. Maine has expanded its revenue sharing program over the past two years, increasing local governments' share of state sales and income taxes from 4 percent to 5.1 percent. Pennsylvania's governor wants to eliminate certain tax loopholes in the Realty Transfer Tax, a change that would net an additional $25 million for local governments next year.

On the expenditure side, substantial new local government aid is proposed in Kansas, Maryland, Massachusetts, and South Dakota. In Rhode Island, the state may distribute new monies to local governments next year to help mitigate the loss of federal general revenue sharing. Other states, such as Florida, Michigan, and Ohio are currently studying ways to increase aid to local governments. In the near future, virtually all states will need to reassess their fiscal and programmatic relationship with cities and counties.

II. REVENUE TRENDS

Annual Revenue Growth. Although fiscal 1986 general fund expenditure growth is projected to be 9.7 percent, general fund revenue is projected to grow a modest 4.9 percent compared to the prior year. The mismatch between expenditures and revenues can occur for a short time without causing a deficit because states can spend their carry-over balances. However, governors' recommended budget growth for fiscal 1987 is scaled down to only 4.6 percent, with revenues projected to increase by 5.8 percent.

Both revenue projections are significantly lower compared to past years. For the most part, this is due to the slowing of the national economy which results in less tax revenues flowing into state treasuries. The real gross national product (GNP) grew by 6.6 percent in 1984 and only 2.3 percent in 1985. Clearly, the fiscal health of the states is directly determined by the fiscal health of the national economy.

This year, state budget officers responded to a survey query of how well fiscal 1986 revenues matched original budget projections used to formulate the budget. Although revenue forecasting tends to be a difficult task, the responses are noteworthy. Eight states reported that revenue collections were on target compared to their original projections, 20 states reported collections above projections, and 22 states had lower collections. Almost uniformly, the states with lower than expected revenue flows are in the Midwest, West, or South. Revenue collections above projections are centered in New England and the mid-Atlantic region. (More on the state regional variations will be discussed in Section IV, and Appendix Table A-8 contains individual state responses regarding the pace of revenue collections.)

Tax Changes. According to survey responses, the 1986 legislative session should be relatively quiet on the tax front. Early projections are that 12 states will increase taxes or revenue this year, while four states will decrease taxes. This does not take into account three states—New York, Ohio, and Rhode Island—that passed multi-year personal income tax reductions last year.

As the 1986 legislative sessions open, Idaho, Kansas, and New Mexico are seriously considering raising the state sales tax rate 1 percent to 5 percent, 4 percent, and 4.75 percent, respectively. Increases in the personal income tax are also possible in Idaho and New Mexico. Fuel tax increases are being considered in Colorado, Florida, New Mexico, South Carolina, South Dakota, and Tennessee. Tobacco product excise tax increases are pending in Colorado and New Mexico; Alaska is considering adjustments in its oil severance tax; and Louisiana is debating the merits of a lottery and casino gambling. Washington will consider adjustments in its insurance premium tax, while Nebraska will examine its tax on financial institutions. Florida is also considering increases in fees and licenses, and better tax enforcement.

Personal income tax decreases are expected in Delaware, Michigan, and Pennsylvania. Pennsylvania also plans to decrease business taxes. The Connecticut legislature is considering new sales tax expenditures and lower capital gains tax rates.

Vermont plans to revise its personal income tax which now "piggy backs" with the federal income tax. By partially decoupling from the

federal tax, the state will not have to change its tax rate every time the federal government decides to make an alteration.

Last year, about half of the states raised taxes and about half lowered them, netting an aggregate tax decrease of about $1.1 billion. This decrease represents less than half of 1 percent of total fiscal 1986 state tax revenues.(1) As it stands now, this year's tax changes will be even less than last year's.

III. YEAR-END GENERAL FUND BALANCES

Fiscal 1985 proved to be a good year for state finances. The aggregate year-end general fund balance totaled $8.0 billion, equal to 4.3 percent of state expenditures. Twenty-three states posted balances of more than 5 percent of expenditures that year. Five percent is the ending balance benchmark used by Wall Street bond analysts to determine the fiscal condition of a state. This 5 percent reserve acts as a cushion against unexpected expenditures and revenue fluctuations.

The fiscal picture for fiscal 1986 and 1987 will not be bright. Rather than having 23 states with fiscal 1985 ending balances of more than 5 percent, the outlook for fiscal 1986 reverses to show 23 states with an ending balance of 1 percent or less (see Table 5).

Table 5
GENERAL FUND YEAR-END BALANCES AS A PERCENTAGE OF EXPENDITURES

	Fiscal 1985 (actual)	*Fiscal 1986 (budgeted)*	*Fiscal 1987 (proposed)*
1% or less	10	23	24
1%–3%	11	9	12
3%–5%	6	8	4
Over 5%	23	10	8
Total states	50	50	48*
Average percentage	4.3%	2.1%	1.6%

*NOTE: Illinois and Louisiana gubernatorial budget proposals were not yet released at the time of publication.

The fiscal 1986 ending balance is projected to total $4.3 billion, or 2.1 percent of expenditures. This declines in fiscal 1987 to $3.1 billion, or 1.6 percent of expenditures. However, if California is not counted, the aggregate dollar ending balance decreases by about 20 percent for fiscal 1986 and by almost 40 percent for fiscal 1987. Ending balances are razor thin for both years, and there is little margin for budget and revenue estimating errors.

These new budget projections are low compared to recent years. Table 6 illustrates the fluctuations in ending balances since fiscal 1978, capturing years when state treasuries were flush and when they were bare. The high point in ending balances came in fiscal 1980, when balances equaled 9 percent of expenditures. The low point occurred in fiscal 1983, when balances dipped to only 1.3 percent of spending.

Obviously, national aggregate figures mask the differences existing between states. For example, Alaska and Vermont registered deficits in fiscal 1985. And more than halfway through fiscal 1986, Colorado, Louisiana, and South Carolina are posting deficits. To correct the deficit before the fiscal year is over, Colorado is holding back 2 percent of expenditures; Louisiana expects to cover the shortfall with appropriation lapses; and South Carolina will rely on its budget stabilization fund.

Table 6
SIZE OF GENERAL FUND YEAR-END BALANCES, FY78–FY87

Fiscal Year	*Year-End Balance ($ in Billions)*	*Balance as a Percent of Expenditures*
1987 pre*	$ 3.1	1.6%
1986 pre.	4.3	2.1
1985	8.0	4.3
1984	5.6	3.3
1983	2.0	1.3
1982	4.5	2.9
1981	6.5	4.4
1980	11.8	9.0
1979	11.2	8.7
1978	8.9	8.6

*Illinois and Louisiana gubernatorial budget proposals were not yet released at the time of publication and are not included.

Budget Stabilization Funds In recent years, 29 states have adopted budget stabilization or "rainy day" funds to help buffer state finances from the sharp fiscal disruptions routinely caused by the business cycle. The governors in Massachusetts, Maryland, and Wisconsin are proposing similar funds in their states this year. Rather than cut budgets and raise taxes during the middle of a fiscal year, states can theoretically use these special reserves during an economic emergency. However, for this to work, states must accumulate sufficient funds during good economic times.

States have gradually built up these reserves, as seen by these statistics:

- In fiscal 1985, states have placed $1.7 billion in budget stabilization funds equal to 0.9 percent of expenditures;
- In fiscal 1986, the amount rises to $2.6 billion or 1.3 percent; and.
- In fiscal 1987, budget stabilization funds are expected to have $3.0 billion or 1.6 percent in reserve. .

These figures are somewhat distorted by Alaska's contribution to the aggregate. Alaska plans to save $745 million in fiscal 1986 and $958 million in fiscal 1987 in its stabilization fund. This represents 27 percent to 36 percent of Alaska's general fund expenditures, and significantly alters the 50-state aggregate figure. Excluding Alaska, the revised fiscal 1986 and 1987 stabilization figures equal 0.9 percent and 1.0 percent, respectively.

Only a handful of states have sufficient revenues in budget stabilization funds to cover revenue losses typically attributed to a recession. In fact, four states that established stabilization accounts allotted no money to them in fiscal 1986. Already, Minnesota has drawn down its fund from $538 million in fiscal 1985 to $167 million in 1986. California also saw a significant drop for these two years, dipping from $1.4 billion to $0.9 billion.(2) Michigan will divert $76 million from its fiscal 1986 and 1987 funds for prison construction.

Budget stabilization funds should not be combined with ending balances because they serve two different purposes: The ending balance provides a hedge against normal revenue and expenditure forecasting errors, while a budget stabilization fund usually alleviates revenue shortfalls caused by economic downturns. Nevertheless, both serve a similar purpose and should be reported as resources available to a state.

Automatic Draw-Down of Ending Balances. Many states fund budget stabilization funds by allowing the ending balance or lapsed appropriations to go directly into the account. A few other states divert the ending balance to other spending areas, allowing them to register a zero ending balance.

Arkansas transfers all unexpended balances to the capital construction fund, while Colorado maintains a 6 percent reserve and then uses 75 percent of remaining funds for capital construction projects. Rhode Island has a similar provision; when balances exceed 3 percent of resources, the remainder is diverted to capital projects. Connecticut transfers ending balances to its budget stabilization fund until the fund reaches its statutory limit; any excess goes to retire outstanding bonds. In Washington, the non-appropriated balance is transferred to the revenue accrual account to reduce unfunded pension liabilities. Oregon allows certain estimated revenues in excess of 2 percent to be returned to taxpayers in a personal income tax credit.

IV. REGIONAL DIFFERENCES IN FISCAL OUTLOOK

Currently, states with the strongest economies in the country are in the New England and mid-Atlantic regions. All of these states show positive ending balances, including Vermont which has run a deficit for several years and is the only state not prohibited from incurring an operating deficit. Generally, expenditure growth is strong in fiscal 1987, with budget increases of 11 percent in Connecticut, 9 percent in Vermont, 8 percent in Maryland, and 6 percent to 7 percent in New York, Maine, and Rhode Island. Several of these states were also able to offer substantial tax relief last year, including New York, Massachusetts, Pennsylvania, and Connecticut. .

Clearly, this healthy condition is supported by some of the lowest unemployment rates in the nation. The regional unweighted average unemployment rate in October 1985 was 4.5 percent, while the national average rate was 7.1 percent.(3)

Table 2 (continued)
STATE BUDGET CUTS ADOPTED SINCE ENACTMENT OF THE FY85–86 BUDGET
(As of February 1986)

Nebraska	17.0	2.0	Legislature	selective and across-the-board	11/85	Public Safety & Human Services cut less
Oklahoma	n.a.	4.5	Governor	across-the-board	11/85	Governor asked agencies to save, since next year revenues will be down 16%
South Carolina	46.0	2.0	Governor	across-the-board	1/86	Corrections cut 1.5%; Mental Health and Tax Commission exempted
Texas	1,309.5 (biennium)	13.0	Governor	selective	2/86	K-12 education, highways, and retirement systems. Much smaller cuts in Corrections and Mental Health and Mental Retardation.
Utah	13.2	1.0	Legislature	selective	2/86	
Vermont	2.5	0.6	Governor	selective	11/85	Schools, debt service, welfare benefits, retirement benefits, and emergency funds
Wisconsin	230.0 (biennium)	2.3	Legislature	selective	2/86	State operations were cut about 5.8% for FY87 and aid to local governments and individuals cut less or exempted.

The Great Lakes states appear to be continuing their recovery from the last recession, when this area was hit particularly hard. Generally, these states are experiencing slow and steady growth, and many of them recently rolled back their tax rates to partly compensate for large tax hikes passed during the recession. Nevertheless, state actions suggest that they are proceeding cautiously, slowly altering current state policies to guard against another economic downturn. For example, last year Ohio passed a multi-year personal income tax decrease, but the last decrease in fiscal 1987 will trigger only if the state unemployment rate falls below 7 percent. A tax decrease measure in Michigan had been stalled for over a year because the governor and legislature could not decide the effective date to drop rates. In addition, the governor has proposed a fiscal 1987 budget that is slightly lower than the current year. And in Illinois, the governor instituted a state personnel hiring freeze as an added step to ensure a sufficient ending balance. The unemployment rate for the Great Lakes region still remains higher than the national average, with Illinois, Michigan, and Ohio rates equaling 9 percent or more.(4)

In the South, the states reflect the full spectrum of fiscal health. Georgia, Kentucky, Tennessee, and Virginia are all in excellent fiscal shape. In fact, Georgia is the only state that has not raised its tax rates in the past five years. Other Southern states are experiencing marginal fiscal difficulties. For example, North Carolina recently enacted a state personnel hiring freeze, South Carolina cut the fiscal 1986 budget by 2 percent, and Florida may increase taxes a small amount this year. States experiencing greater fiscal stress include: Arkansas and Mississippi, which recently cut the fiscal 1986 budget twice, and Alabama, Mississippi, and West Virginia, which are proposing substantially smaller budgets next year than current levels. West Virginia still has the highest unemployment rate in the country at 12.5 percent.

The two most distressed regions of the country are the Midwest and West. Farm Belt states, especially, Iowa, Nebraska, and Kansas, are in poor fiscal shape as a direct result of a deteriorating farm economy. Several years ago when inflation rates and land prices were high, many farmers took out loans to purchase more capital stock. Now, land prices have fallen rapidly—as much as 25 percent during this last year alone—strapping many farmers with unmanageable debt burdens. In Nebraska

between 1981-1985, the average value of farmland decreased 46 percent.(5) In addition, the American farm export commodity market share is shrinking, while the federal government is proposing large cutbacks in farm subsidy payments. For the first seven months of 1985, 62 percent of all banks that failed were agricultural banks, yet agricultural banks represent only 35 percent of all banks.(6) The fortunes of Farm Belt states cannot be separated from the financial condition of farmers. Iowa and Nebraska have cut fiscal 1986 budgets, and Nebraska raised taxes in a special session last November. Both Kansas and Nebraska governors are proposing fiscal 1987 budgets that are smaller than the fiscal 1986 budget.

Minnesota and Wisconsin also have large farm sectors, and both have had to sharply cut back on current biennial expenditures. Both states also significantly reformed their personal income tax systems last year, while offering tax relief.

The most dramatic change in fiscal fortunes is that of the energy-based states in the West and Southwest. A number of Western state economies have not performed well over the past two years, and now recent changes in oil prices may lead to a regional recession. From December to February, the spot market price of crude oil dropped precipitously from $25 per barrel to $15, forcing states that depend heavily on oil revenues to markedly alter revenue and budget projections for this fiscal year and the next. For example in January, Texas projected the price of oil in fiscal 1987 to be $24.50 a barrel. In February, the state comptroller revised estimates to $15 a barrel. This change in revenue estimates translates into a $1.3 billion biennial revenue loss which will force the state to slash appropriations 13 percent for the biennium (see Table 7).

When oil prices drop, energy-producing states lose tax revenue that is directly linked to the profit of the oil industry. In addition, states lose tax revenues generated through general lowered economic activity. For example, Texas estimates that it loses $30 million in sales taxes for every $1 drop in oil prices, while Louisiana estimates its loss to be $17 million in sales and income taxes. This indirect economic effect will be strong in Colorado, which derives a relatively small portion of its revenues from oil severance taxes but has a significant number of taxpayers who work for oil companies. In fact, oil companies have recently announced large layoffs of employees based throughout the Western states, and if oil

Table 7
DEGREE OF RELIANCE OF ENERGY STATES ON THE PRICE OF OIL

State	*State Revenue Loss for Every $1 Drop in Oil Price ($ in Millions)*	*FY87 Oil Price Forecast (As of Mar. 86)*	*Severance Tax Revenues as a Percent of Total State Taxes**
Alaska	$150	$20–22/bbl.**	71%
Louisiana	33	20.00	25
Mississippi	n.a.	15.00	6
Montana	3	25.00**	25
New Mexico	7	22.40	27
North Dakota	6	18.00	29
Oklahoma	11	18.00	26
Texas	70	15.00	23
Wyoming	4	22.00	48

*Includes all severance tax collections, such as from oil, natural gas, and coal. Percentage based on FY84 state tax collections.
**A new forecast will be released in March.
(NOTE: Mississippi will lose $21 million in FY87 as a result of lower oil and natural gas prices.)

prices continue to decline, many independent oil companies will fold or be absorbed by the larger companies. Of course, Western states' financial institutions will also be affected.

Another factor that relates to the sharp decline in oil prices, but which has not yet been fully incorporated into state revenue estimates, is the decrease of natural gas and coal prices. Prices for these energy sources are interrelated because the falling price of oil hurts sales of other energy products and forces prices downward. Wyoming estimates that every time the price of natural gas drops 10 cents per million cubic feet, it costs the state $2 million to $3 million in severance tax collections.

Other Western states that are not directly affected by the energy industry are experiencing steady but moderate economic growth. These states include Arizona, California, and Nevada. The economies of Oregon and Washington are experiencing slow growth. Idaho's fiscal condition continues to worsen. Lawmakers have cut the budget twice this year and a major tax increase is pending.

V. THE STATES' RESPONSE TO FORTHCOMING FEDERAL BUDGET CUTS

Trying to project the amount of revenue a state will receive from the federal government each year is always difficult, but this year, state budget officers need a crystal ball. Not only are state and federal fiscal years unsynchronized, but with the passage of the Gramm-Rudman-Hollings (GRH) deficit reduction law by Congress last December, any semblance of order was lost. The only certain federal action anticipated by state lawmakers is the first round of GRH budget authority cuts scheduled for March 1, 1986. These cuts will equal 4.3 percent on an annual basis. However, since only seven months remain in the 1986 federal fiscal year, the actual impact for the remainder of the year could be almost twice as much. Further uncertainty is caused by judicial action pending on certain provisions of GRH. In addition, the President's fiscal 1987 budget calls for large cuts in intergovernmental aid. There is no way states can know how deep the cuts will be or what programs will be affected.

Clearly, states that have been forced to cut current appropriations will not be able use state funds to make up for lost federal funds. Other states that project small ending balances are also unlikely to pick up federal responsibilities. Federal funds comprise 23 percent of total state general revenues, loss of them will result in major curtailment of service delivery.

Also, the timing of federal actions means that no governor was able to incorporate fiscal 1986 federal budget cuts into the current year's budget plan. This is also true for most fiscal 1987 gubernatorial budget recommendations, since most state budget proposals are finalized in December and presented to the legislature in January.

Nevertheless, states that are generally better off financially have responded to the imminent federal cuts. Some examples are:

Connecticut:	The governor has established a process to prioritize federal cuts and has committed to fund the necessary programs if sequestration takes place.
Delaware:	The governor proposes to set aside $5.3 million in fiscal 1987 (derived from the 98 percent spending

limit which permits the state to only spend 98 percent of anticipated revenues).

District of Columbia: The district is adjusting fiscal 1986 expenditures through the supplemental process. A task force is being formed of executive and legislative members to formulate plans to respond to GRH, which will also be adjusted by the fiscal 1987 supplemental process.

Florida: The governor will respond to GRH as more is known. He probably will amend his budget recommendations, which were submitted in February to the legislature. If amendments are needed, the legislature meets from April to June to make adjustments.

Massachusetts: The governor wants to create a budget stabilization fund with fiscal 1986 contributions of about $179 million. As federal actions unfold, some portion of this amount would be recommended to offset selected federal cuts.

Nevada: The state maintains a contingency fund for use between sessions which would be available if needed to replace lost federal funds.

Oregon: The 1985 legislature appropriated $4.4 million to the emergency fund to offset the federal funds shortfall in human resource programs.

Rhode Island: Last year, the state set up a $7 million federal reduction relief fund which has not yet been used. Also, if fiscal 1986 revenues are above estimates, some amount may be used to help local governments offset general revenue sharing losses.

Vermont: The governor is proposing a $5.5 million contingency fund for fiscal 1987 which can be used to mitigate federal cuts.

Virginia:	The Revenue Reserve and Economic Contingency Account may be used to supplement up to 40 percent of lost federal funds.

FOOTNOTES

(1) National Conference of State Legislatures, "State Budget Actions in 1985," *Legislative Finance Paper #49*, Denver, CO, August 1985, p.iii.

(2) Both of these states merge their ending balance with their budget stabilization fund and allow for automatic draw-down due to lower revenues. Most states keep the two funds separate.

(3) U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*, Washington, D.C., January 1986, p. 91. Figures for unemployment rates of civilian workers are not adjusted for seasonal variations.

(4) *Ibid.*

(5) U.S. General Accounting Office, *Financial Condition of American Agriculture*, Washington, D.C., October 1985, Report No. GAO/RCED-89-09, p. 20.

(6) *Ibid.*, p. 5.

(7) There are 20 states with biennial budgets. Seventeen of these begin the budget cycle in odd-numbered years. Three states begin in even-numbered years. In addition, Vermont can submit a biennial budget at the discretion of the governor.

VI. APPENDIX

The *Fiscal Survey of the States* is published semiannually by the National Association of State Budget Officers (NASBO) and the National Governors' Association (NGA). The series was started in 1977, and surveys are now conducted and published semiannually. The *Survey* presents aggregate and individual data on the states' general fund receipts, expenditures, and balances. While not the totality of state spending, these funds are used to finance most broad-based state services, and are the most important elements in determining the fiscal health of the states. NASBO is in the process of finalizing an additional survey that would include all state spending.

The field survey on which this report was based was taken by the National Association of State Budget Officers in January and February 1986. The questionnaires were completed by governors' state budget officers.

Fiscal 1985 closed for 46 states on June 30, 1985. New York's fiscal year ended on March 31, 1985; Texas' fiscal year closed August 31, 1985; Michigan's and Alabama's on September 30, 1985. Thus, fiscal 1985 numbers are actual amounts. Fiscal 1986 budget data reflects the budgets that were adopted by the legislatures. Fiscal 1987 figures represent either the governors' proposed budget as presented to the legislature or, if a state has a biennial budget that begins in odd years, the budget was adopted by the legislature last year.(7) The NGA/NASBO survey to be released this summer will include fiscal 1987 budgets that have been adopted by the legislatures.

The structure of the survey presumes budgeting identities as follows:

1. Beginning Balance + Revenues + Adjustments = Resources
2. Resources − Expenditures − Transfers = Ending Balance
3. Ending Balance, Year 1 = Beginning Balance, Year 2

Adjustments to revenues may include such things as reversions, tax refunds, settlements from court cases, surplus property sales, changes in tax collections, and changes in fund dedication. Transfers may be

positive or negative, depending on whether monies are flowing in or out of the general fund.

Exceptions to this identity result from rounding numbers and from the practice in a few states of making adjustments between the ending balance in one year and the beginning balance in the next. These exceptions have only a minor impact on the overall results of the survey.

Reporting concepts within this structure vary from state to state, as do definitions of what activities are included in the general fund, although all federal funds and trust funds are usually excluded. Thus, the results of the fiscal survey are not strictly appropriate for comparisons among states. They are more appropriate for comparisons over time within the same state.

APPENDIX TABLES

Table A-1
FY 1984-85 STATE GENERAL FUNDS
($ in millions)
FINAL FIGURES

State	Beginning Balance	Revenue	Adjustments	Resources	Expenditures	Transfers	Ending Balance	Budget Stabilization Fund
Alabama	274	2,437	(6)	2,705	2,397		308	
Alaska	224	3,260	190	3,674	3,588	(300)	(214)	298
Arizona	12	2,124		2,136	2,111	(10)	14	
Arkansas	0	1,554		1,554	1,554		0	
California	572	26,496		27,068	25,722	40	1,386	**
Colorado	31	1,819	1	1,850	1,784	(51)	16	**
Connecticut	0	4,011		4,011	3,637	(374)	0	200
Delaware	98	882		980	799		180	**
Florida	96	6,315		6,411	6,202	(96)	113	120
Georgia	22	4,608	40	4,670	4,325	(138)	207	138
Hawaii	105	1,476	3	1,584	1,454		130	
Idaho	9	549		558	558		0	6
Illinois	217	9,295	313	9,825	9,278	(68)	479	
Indiana	102	3,262	11	3,375	3,008	(312)	55	145
Iowa	0	2,236	(151)	2,085	2,085		0	0
Kansas	96	1,659		1,755	1,635		120	
Kentucky	42	2,547		2,589	2,479		110	
Louisiana	35	4,195		4,230	4,131		99	
Maine	17	848	14	879	830	(26)	21	1
Maryland	18	3,809		3,827	3,778		49	
Massachusetts	19	5,620	(37)	5,602	5,483	(28)	92	
Michigan	283	5,679		5,962	5,506	(338)	117	372
Minnesota	375	5,209		5,584	4,788	(258)	538	**
Mississippi	11	1,417	(11)	1,417	1,363		54	32
Missouri	199	2,753		2,952	2,557	(130)	265	

Montana	35	365	8	408	380		28	
Nebraska	45	784		829	816		13	36
Nevada	82	469	36	586	522		65	
New Hampshire	1	431		432	405	20	48	
New Jersey	578	7,814	81	8,473	7,661		812	
New Mexico	152	1,300	33	1,484	1,366	(6)	112	**
New York	51	20,952		21,003	19,535	(1,366)	102	**
North Carolina	255	4,526		4,781	4,401		380	
North Dakota	110	577		687	526		161	
Ohio	95	9,070	125	9,290	8,664	(328)	298	125
Oklahoma	0	1,835		1,835	1,670	(65)	100	
Oregon*	52	1,733		1,785	1,614		171	
Pennsylvania	76	8,779	41	8,896	8,586		310	
Rhode Island	32	1,013		1,045	973	(11)	62	4
South Carolina	55	2,393		2,448	2,397	9	61	89
South Dakota	39	319		358	318		40	
Tennessee	147	2,555		2,702	2,396	(101)	205	**
Texas	743	10,845		11,588	5,548	(5,806)	234	
Utah	81	1,218	2	1,301	1,284	2	19	
Vermont	(36)	377		342	362		(20)	
Virginia*	81	3,791	(282)	3,590	2,938	(605)	47	55
Washington	(53)	4,466		4,413	4,308	(105)	0	0
West Virginia	142	1,506		1,648	1,485		163	
Wisconsin	383	4,447	72	4,902	4,588		314	
Wyoming	187	397	(2)	581	401	(41)	139	110
Total	6,190	196,022	481	202,690	184,196	(10,492)	8,003	1,731
Dist. of Col.*	(270)	2,142	6	1,878	2,027	(96)	(245)	

**Budget Stabilization Fund is included with ending balance.

NOTES: Figures may not add due to rounding. For explanation of adjustments and transfers, see footnotes at the end of the Appendix. Transfers going into the General Fund are positive numbers and transfers from the General Fund are negative numbers.

DC: Cumulative balances include pre-home rule deficits. Other figures are annual.
OR: Expenditures for the biennium were split arbitrarily, first year = 48 percent, second year = 52 percent.
VA: Capital outlay appropriations for the biennium are contained in the first year of the budget and are subject to carry forward in the second year.

Table A-2
FY 1985-86 STATE GENERAL FUNDS
($ in millions)
ESTIMATED FIGURES

State	Beginning Balance	Revenue	Adjustments	Resources	Expenditures	Transfers	Ending Balance	Budget Stabilization Fund
Alabama	308	2,492	(6)	2,794	2,781		13	
Alaska	(214)	3,125	403	3,314	2,803	(351)	159	745
Arizona	14	2,341	12	2,367	2,357		11	
Arkansas	0	1,621		1,621	1,621		0	
California	1,386	28,216		29,602	28,710	(29)	863	**
Colorado*	16	1,941	5	1,962	1,897	(75)	(10)	**
Connecticut	0	4,081		4,081	3,974	(107)	0	221
Delaware	180	879		1,060	935		125	**
Florida	113	6,877		6,990	6,868	(113)	9	225
Georgia	207	4,972	46	5,225	5,225		0	149
Hawaii	130	1,526	43	1,698	1,640		58	
Idaho	0	556	27	583	583		0	0
Illinois	479	9,877		10,356	10,098	(38)	220	
Indiana	55	3,352		3,407	3,120	(206)	81	145
Iowa	0	2,340	(209)	2,131	2,129		0	2
Kansas	120	1,671		1,791	1,746	7	52	
Kentucky	110	2,763		2,873	2,678		195	
Louisiana	99	4,042		4,141	4,149		(8)	
Maine	21	934	6	961	954	(3)	4	1
Maryland	49	4,155		4,204	4,155		50	
Massachusetts*	92	6,250	189	6,531	6,295	(200)	36	179
Michigan	117	6,059	(93)	6,083	6,021	(47)	15	449
Minnesota	538	4,715		5,253	4,927	(159)	167	**
Mississippi	54	1,487	(44)	1,497	1,513	16	0	40
Missouri	265	2,937		3,202	3,134		68	

Montana	28	377		405	360		45	
Nebraska	13	849	(5)	856	845	5	16	22
Nevada	65	472	5	541	474		67	
New Hampshire	48	416		464	444	18	38	
New Jersey	812	8,277	33	9,122	8,770		352	
New Mexico	112	1,310	87	1,509	1,413	6	102	**
New York	102	22,909		23,011	21,832	(1,026)	153	**
North Carolina	380	4,794		5,175	5,131		44	
North Dakota	161	492		653	553		100	
Ohio	298	9,600		9,898	9,544	(9)	345	125
Oklahoma	100	1,892	40	2,032	2,032		0	0
Oregon*	171	1,479		1,651	1,609		42	
Pennsylvania	310	9,120	42	9,472	9,167	(155)	150	25
Rhode Island	62	1,039		1,101	1,053	(6)	42	10
South Carolina*	61	2,551		2,612	2,614	(7)	(9)	96
South Dakota	40	331		371	350		21	
Tennessee	205	2,748		2,953	2,620	(208)	125	**
Texas	234	10,685		10,919	5,599	(5,280)	40	
Utah	19	1,271	2	1,292	1,304	13	0	
Vermont	(20)	408	4	392	388	(2)	1	
Virginia*	47	4,171	15	4,233	4,059		174	0
Washington	0	4,537		4,537	4,535		3	0
West Virginia	163	1,516		1,679	1,665		14	
Wisconsin	314	4,754	76	5,144	4,922		222	
Wyoming	139	395		534	402	(76)	55	120
Total	8,003	205,602	678	214,283	201,998	(8,032)	4,250	2,554
Dist. of Col.*	(245)	2,251	2	2,008	2,146	(102)	(240)	

**Budget stabilization fund is included in ending balance.

NOTES: Figures may not add due to rounding. For explanation of adjustments and transfers, see footnotes at the end of the Appendix. Transfers going into the General Fund are positive numbers and transfers from the General Fund are negative numbers.

CO: The projected deficit does not take into account the 2 percent holdback in expenditures. If the holdback is not lifted, the ending balance will be $28 million.
DC: Cumulative balances include pre-home rule deficits. Other figures are annual.
MA: The Governor is proposing a new budget stabilization fund.
OR: Expenditures for the biennium were split arbitrarily, first year = 48 percent, second year = 52 percent.
SC: Budget stabilization fund will be used to cover operating deficit.
VA: Capital outlay appropriations for the biennium are contained in the first year of the budget and are subject to carry forward in the second year.

Table A-3
FY 1986-87 STATE GENERAL FUNDS
($ in millions)
GOVERNORS' PROPOSED BUDGET

State	Beginning Balance	Revenue	Adjustments	Resources	Expenditures	Transfers	Ending Balance	Budget Stabilization Fund
Alabama	13	2,599	(6)	2,607	2,607		0	
Alaska	159	2,719	86	2,964	2,665	(222)	77	958
Arizona	11	2,529	(15)	2,524	2,519		0	6
Arkansas	0	1,776		1,776	1,776		0	
California	863	30,954		31,817	30,699	70	1,188	**
Colorado	0	2,072		2,072	2,030		42	**
Connecticut	0	4,418		4,418	4,418		0	221
Delaware	125	901		1,026	927		98	**
Florida	9	7,289		7,298	7,289	(9)	0	235
Georgia	0	5,316		5,316	5,316		0	159
Hawaii	58	1,621	10	1,689	1,686		3	
Idaho	0	574	41	615	613		2	0
Illinois	NO FIGURES AVAILABLE AT THIS TIME							
Indiana	81	3,551		3,632	3,314	(256)	62	163
Iowa	0	2,423	(218)	2,205	2,204		0	3
Kansas*	52	1,734		1,786	1,712		74	
Kentucky	195	2,998		3,192	3,008	(50)	135	50
Louisiana	NO FIGURES AVAILABLE AT THIS TIME							
Maine	4	1,004	3	1,011	1,007	(3)	1	1
Maryland*	50	4,434		4,483	4,479		4	50
Massachusetts*	36	6,720	135	6,890	6,641	(166)	83	179
Michigan	15	5,997		6,012	5,992		21	476
Minnesota	167	5,045		5,212	4,946	(166)	100	**
Mississippi	0	1,450		1,450	1,450		0	43
Missouri	68	3,148	125	3,341	3,327	(10)	4	10
Montana	45	397		441	406		36	
Nebraska	16	867		883	841	(14)	28	36
Nevada	67	500	5	572	516		56	
New Hampshire	20	439		460	452	18	26	
New Jersey	352	8,865		9,217	9,037		180	

New Mexico*	102	1,301	164	1,567	1,450	5	122	**
New York	153	24,538		24,691	23,339	(1,183)	169	**
North Carolina	44	5,063		5,107	5,091		16	
North Dakota	100	534		634	591		43	
Ohio	345	10,200		10,545	10,422	(5)	118	125
Oklahoma*	0	1,751		1,751	1,663		88	0
Oregon*	42	1,727		1,768	1,743		25	
Pennsylvania	150	9,509	(142)	9,517	9,483	(25)	9	50
Rhode Island	42	1,088		1,130	1,117	(12)	1	18
South Carolina	0	2,723		2,723	2,716	(7)	0	102
South Dakota	21	361		382	374		8	
Tennessee	125	2,894		3,019	2,904	(40)	75	**
Texas	40	10,977		11,017	5,463	(5,554)	0	
Utah	0	1,337	2	1,339	1,339		0	
Vermont	1	424	1	427	423		4	
Virginia*	174	4,418	50	4,642	4,642		0	36
Washington	3	4,732	43	4,778	4,708		70	0
West Virginia	14	1,574		1,588	1,588		0	
Wisconsin*	222	4,853	97	5,172	5,096		76	0
Wyoming	5[c]	394		449	356	(5)	88	125
Dist. of Col.*	(240)	2,371	1	2,132	2,292	(80)	(240)	

**Budget stabilization fund is included in ending balance.
NOTES: Figures may not add due to rounding. For explanation of adjustments and transfers, see footnotes at the end of Appendix. Transfers going into the General Fund are positive numbers and transfers from the General Fund are negative numbers.

DC: Cumulative balances include pre-home rule deficits. Other figures are annual.
KS: The governor proposed a tax increase that is not in these figures.
MA: The governor is proposing a new budget stabilization fund.
MD: The governor is proposing a new budget stabilization fund.
NM: Figures represent current legislation, not the governor's budget proposal.
OK: Constitutional provision allowing 95 percent of estimate revenues to be certified for appropriation.
OR: Expenditures for the biennium were split arbitrarily, first year = 48 percent, second year 52 percent.
VA: Capital outlay appropriations for the biennium are contained in the first year of the budget and are subject to carry forward in the second year. FY 87 budget stabilization figures are biennial.
WI: The governor is proposing a new budget stabilization fund.

Table A-4
YEAR-END BALANCES AS A PERCENT OF EXPENDITURES, FY 1984-85 TO FY 1986-87

State	General Fund Ending Balances			As a Percent of Expenditures		
	FY 1984-85	FY 1985-86	FY 1986-87	FY 1984-85	FY 1985-86	FY 1986-87
Alabama	308	13	0	12.8	0.5	0.0
Alaska	(214)	159	77	-6.0	5.7	2.9
Arizona	14	11	0	0.7	0.5	0.0
Arkansas	0	0	0	0.0	0.0	0.0
California	1,386	863	1,188	5.4	3.0	3.9
Colorado	16	(10)	42	0.9	-0.5	2.1
Connecticut	0	0	0	0.0	0.0	0.0
Delaware	180	125	98	22.5	13.4	10.6
Florida	113	9	0	1.8	0.1	0.0
Georgia	207	0	0	4.8	0.0	0.0
Hawaii	130	58	3	8.9	3.5	0.2
Idaho	0	0	2	0.0	0.0	0.3
Illinois	479	220	n.a.	5.2	2.2	n.a.
Indiana	55	81	62	1.8	2.6	1.9
Iowa	0	0	0	0.0	0.0	0.0
Kansas	120	52	74	7.3	3.0	4.3
Kentucky	110	195	135	4.4	7.3	4.5
Louisiana	99	(8)	n.a.	2.4	-0.2	n.a.
Maine	21	4	1	2.5	0.4	0.1
Maryland	49	50	4	1.3	1.2	0.1
Massachusetts	92	36	83	1.7	0.6	1.2
Michigan	117	15	21	2.1	0.2	0.4
Minnesota	538	167	100	11.2	3.4	2.0
Mississippi	54	0	0	4.0	0.0	0.0
Missouri	265	68	4	10.4	2.2	0.1

Montana	28	45	36	7.4	12.5	8.9
Nebraska	13	16	28	1.6	1.9	3.3
Nevada	65	67	56	12.5	14.1	10.9
New Hampshire	48	38	26	11.9	8.6	5.8
New Jersey	812	352	180	10.6	4.0	2.0
New Mexico	112	102	122	8.2	7.2	8.4
New York	102	153		0.5	0.7	0.7
North Carolina	380	44	16	8.6	0.9	0.3
North Dakota	161	100	43	30.6	18.1	7.3
Ohio	298	345	118	3.4	3.6	1.1
Oklahoma	100	0	88	6.0	0.0	5.3
Oregon	171	42	25	10.6	2.6	1.4
Pennsylvania	310	150	9	3.6	1.6	0.1
Rhode Island	62	42	1	6.4	4.0	0.1
South Carolina	61	(9)	0	2.5	-0.3	0.0
South Dakota	40	21	8	12.6	6.0	2.1
Tennessee	205	125	75	8.6	4.8	2.6
Texas	234	40	0	4.2	0.7	0.0
Utah	19	0	0	1.5	0.0	0.0
Vermont	(20)	1	4	-5.5	0.3	0.9
Virginia	47	174	0	1.6	4.3	0.0
Washington	0	3	70	0.0	0.1	1.5
West Virginia	163	14	0	11.0	0.8	0.0
Wisconsin	314	222	76	6.8	4.5	1.5
Wyoming	139	55	88	34.7	13.7	24.7
Total	8,003	4,250		4.3	2.1	
Dist. of Col.	(245)	(240)	(240)	-12.1	-11.2	-10.5

Table A-5
BUDGET STABILIZATION FUNDS, FY 1984-85 TO FY 1986-87

State	Millions of Dollars			As a Percent of Expenditures		
	FY 1984-85	FY 1985-86	FY 1986-87	FY 1984-85	FY 1985-86	FY 1986-87
Alabama						
Alaska	298	745	958	8.3	26.6	35.9
Arizona			6			0.2
Arkansas						
California	**	**	**			
Colorado	**	**	**			
Connecticut	200	221	221	5.5	5.6	5.0
Delaware	**	**	**			
Florida	120	225	235	1.9	3.3	3.2
Georgia	138	149	159	3.2	2.9	3.0
Hawaii						
Idaho	6	0	0	1.1	0.0	0.0
Illinois						
Indiana	145	145	163	4.8	4.6	4.9
Iowa	0	2	3	0.0	0.1	0.1
Kansas						
Kentucky			50			1.7
Louisiana						
Maine	1	1	1	0.1	0.1	0.1
Maryland***			50			1.1
Massachusetts***		179	179		2.8	2.7
Michigan	372	449	476	6.8	7.5	7.9
Minnesota	**	**	**			
Mississippi*	32	40	43	2.3	2.6	3.0
Missouri	0	0	10	0.0	0.0	0.3

Table A-6
NOMINAL AND REAL ANNUAL CHANGES IN EXPENDITURES, FY 1984-85 TO FY 1986-87

State	----NOMINAL PERCENTAGE CHANGE---- FY 1986	FY 1987	----REAL PERCENTAGE CHANGE----- FY 1986	FY 1987
Alabama	16.0	-6.3	11.1	-9.5
Alaska	-21.9	-4.9	-25.2	-8.2
Arizona	11.7	6.9	6.9	3.2
Arkansas	4.3	9.6	-0.1	5.8
California	11.6	6.9	6.9	3.3
Colorado	6.3	7.0	1.9	3.4
Connecticut	9.3	11.2	4.7	7.4
Delaware	17.0	-0.9	12.1	-4.2
Florida	10.7	6.1	6.1	2.5
Georgia	20.8	1.7	15.7	-1.7
Hawaii	12.8	2.8	8.0	-0.7
Idaho	4.5	5.1	0.1	1.5
Illinois	8.8	n.a.	4.2	n.a.
Indiana	3.7	6.2	-0.6	2.6
Iowa	2.1	3.5	-2.2	0.0
Kansas	6.8	-1.9	2.3	-5.3
Kentucky	8.0	12.3	3.5	8.5
Louisiana	0.4	n.a.	-3.8	n.a.
Maine	14.9	5.6	10.1	1.9
Maryland	10.0	7.8	5.3	4.1
Massachusetts	14.8	5.5	10.0	1.9
Michigan	9.4	-0.5	4.7	-3.9
Minnesota	2.9	0.4	-1.4	-3.0
Mississippi	11.0	-4.2	6.3	-7.4
Missouri	22.6	6.2	17.4	2.5

Table A-8
ACTUAL FY85-86 REVENUE COLLECTIONS COMPARED TO
REVENUE PROJECTIONS USED IN ENACTED BUDGETS
(as of January 1986)

State	Total Revenues	Sales Taxes	Individual Income Tax	Corporate Income Tax
New England				
Connecticut	A	B	--	A
Maine	T	T	T	B
Massachusetts	A	A	A	A
New Hampshire	T	--	--	T
Rhode Island	A	T	T	A
Vermont	B	A	B	B
Mideast				
Delaware	A	--	A	A
District of Col.	A	A	A	B
Maryland	A	T	T	T
New Jersey	A	A	T	T
New York	A	A	A	B
Pennsylvania	A	A	A	A
Great Lakes				
Illinois	A	T	A	A
Indiana	B	T	A	B
Michigan	A	T	T	A*
Ohio	T	A	T	T
Wisconsin	B	B	B	B
Plains				
Iowa	B	B	B	B
Kansas	B	B	B	A
Minnesota	B	B	B	B
Missouri	A	T	T	T
Nebraska	B	B	A	B
North Dakota	T	T	B	A
South Dakota	T	B	--	--

Southeast				
Alabama	A	A	A	A
Arkansas	B	B	B	B
Florida	A	A	--	A
Georgia	A	A	A	A
Kentucky	T			
Louisiana	B	B	A	A
Mississippi	B	T	T	B
North Carolina	T	T	T	T
South Carolina	B	B	B	B
Tennessee	A	A	--	B
Virginia	A	A	B	A
West Virginia	B			
Southwest				
Arizona	T	T	A	B
New Mexico	B	T	B	B
Oklahoma	B	B	B	B
Texas	B		--	--
Rocky Mountain				
Colorado	B	B	B	A
Idaho	B	B	B	T
Montana	B	--	B	T
Utah	B	B	B	A
Wyoming	A	A	--	--
Far West				
California	B	B	B	A
Nevada	A	A	--	--
Oregon	B	--	B	B
Washington	B	B	--	--
Alaska	A	--	--	B
Hawaii	B	T	B	A

Key: B = revenue collections below original projections.
A = revenue collections above original projections.
T = revenue projections on target.

*Michigan has a single business tax.

Notes to Appendix Tables A-1, A-2, and A-3

Explanation of Budget Adjustments ($ in millions)

ALASKA: Fiscal 85—drilling credits (15.3 million), principal repaid to general fund ($26.9 million), repeals ($180.9 million), other ($2.3 million).
Fiscal 86—drilling credits ($15 million), principal repaid to general fund ($17 million), legal settlements ($351.4 million), other ($50 million).
Fiscal 87—drilling credits ($15 million), principal repaid to general fund ($10.9 million), legal settlement ($65 million), other ($25 million).

ALABAMA: Funds taken out of the special educational trust fund to pay for trade school and junior college authority bonds and the administration for the revenue department.

ARIZONA: Fiscal 86—continuing appropriations.
Fiscal 87—income tax credit for child and dependent care expenses.

COLORADO: Fiscal 85—federal revenue sharing from a previous year distribution.
Fiscal 86—gains from tax amnesty program.

DISTRICT OF COLUMBIA: Fiscal 85—adjustment to reconcile budget numbers with GAAP: excess grant spending ($10 million), decrease in accruals ($14 million), and increase in inventory ($2 million).
Fiscal 86—fixed asset disposition ($2 million).

GEORGIA: Law provides for a 1 percent mid-year adjustment reserve that is available to expend the following year. This reserve is created from surplus.

HAWAII: Fiscal 85—prior year's appropriation lapses;
Fiscal 86—appropriation lapses plus selective spending cuts;
Fiscal 87—prior year's appropriation lapses.

IDAHO Fiscal 86—$6 million transferred from budget stabilization fund;
$2 million from tax anticipation note earnings; and $19 million delayed payment to public schools into fiscal 87.

Fiscal 87—$60 million by extending sales tax to most services, and $19 million to meet delayed public school payment.

ILLINOIS: Rollover from temporary tax rate increases, tax amnesty, protest release, and defeasance of bonds.

INDIANA: Auditing adjustments.

IOWA: Includes tax refunds, and transfers from other funds and accruals.

KANSAS: Fiscal 87—the governor has proposed a 1 cent sales and use tax increase. The $191 million proceeds were not included in governor's budget recommendations. However, in his message to the legislature he recommended an increase and specified how he would use the funds. ($145 million expenditure, $46 million for balances.)

MASSACHUSETTS: Fiscal 85—reversions ($32.4 million), contingency accounts ($68.9 million).
Fiscal 86—reversions ($46.4 million), contingency accounts ($142.3 million).
Fiscal 87—contingency accounts ($134.5 million).

MAINE: Special reserve requirement for working capital.

MICHIGAN: Fiscal 86—citizens' escrow fund ($191 million) tax amnesty ($50 million); working capital reserve balance ($48 million).

MISSOURI: Fiscal 87—includes $86 million from lottery proceeds and $39 million from prior year lapse.

MONTANA: Fiscal 85—prior year revenue and expenditure adjustments.

NEBRASKA: Fiscal 86—deficit recommendation.

NEW MEXICO: Non-recurring revenue.
Fiscal 86—accelerated tax collections.
Fiscal 87—tax increase.

NEVADA: Fiscal 85—reversions ($36.3 million), court settlement ($.2 million).
Fiscal 86—reversions ($5 million).
Fiscal 87—reversions ($5 million).

Montana						
Nebraska	36	22	36	4.4	2.6	4.3
Nevada						
New Hampshire						
New Jersey						
New Mexico	**	**	**			
New York	**	**	**			
North Carolina						
North Dakota						
Ohio	125	125	125	1.4	1.3	1.2
Oklahoma			0			0.0
Oregon						
Pennsylvania		25	50		0.3	0.5
Rhode Island	4	10	18	0.4	0.9	1.6
South Carolina	89	96	102	3.7	3.7	3.8
South Dakota						
Tennessee	**	**	**			
Texas						
Utah						
Vermont						
Virginia*	55	0	36	1.9	0.0	0.8
Washington	0	0	0	0.0	0.0	0.0
West Virginia						
Wisconsin***						
Wyoming	110	120	125	27.4	29.9	35.1
Total	1,731	2,554	3,046	0.9	1.3	1.6
Dist. of Col.						

**Budget stabilization fund is included in ending balance.
***The Governor is proposing a new budget stabilization fund.

VA: FY87 budget stabilization fund figures are biennial.
MS: Figures combine amounts from three funds: working cash fund, reserve fund, and general fund stabilization fund.

Montana	-5.3	12.8	-9.3	8.9
Nebraska	3.6	-0.5	-0.8	-3.9
Nevada	-9.2	8.9	-13.0	5.1
New Hampshire	9.6	1.8	5.0	-1.7
New Jersey	14.5	3.0	9.6	-0.5
New Mexico	3.4	2.6	-0.9	-0.9
New York	11.8	6.9	7.0	3.2
North Carolina	16.6	-0.8	11.7	-4.2
North Dakota	5.1	6.9	0.7	3.2
Ohio	10.2	9.2	5.5	5.5
Oklahoma	21.7	-18.2	16.5	-21.0
Oregon	-0.3	8.3	-4.5	4.6
Pennsylvania	6.8	3.4	2.3	-0.1
Rhode Island	8.2	6.1	3.7	2.4
South Carolina	9.1	3.9	4.5	0.3
South Dakota	10.1	6.9	5.4	3.2
Tennessee	9.3	10.8	4.7	7.0
Texas	0.9	-2.4	-3.3	-5.8
Utah	1.6	2.7	-2.7	-0.8
Vermont	7.2	9.0	2.7	5.3
Virginia*	38.2	14.4	32.3	10.5
Washington	5.3	3.8	0.8	0.3
West Virginia	12.1	-4.6	7.4	-7.9
Wisconsin	7.3	3.5	2.8	.0
Wyoming	0.2	-11.4	-4.0	-14.5
Total	9.7	4.6	5.0	1.0
Dist. of Col.	5.9	6.8	1.4	3.2

VA: Capital outlay appropriations for the biennium are contained in the first year of the budget and are subject to carry forward in the second year.

Table A-7
FY86-87 STATE EMPLOYEE PROPOSED COMPENSATION PACKAGE

State	Total Increase	Merit	Across the Board	Other	Notes
Alabama	5.0%	5.0%	0.0%		Anniversary raises based only on employee evaluation.
Alaska	3.8		3.8		
Arizona	6.6	3.0	3.0	0.6	0.1 percent equity and reclassification reviews; 0.5 percent health insurance premiums increase
Arkansas	5.5	2.5	3.0		Another 3 percent may be awarded to exceptional employees.
California	6.7	1.5	5.0	0.2	"Other" relates to new or enhanced benefits.
Colorado	n.a.				
Connecticut	7.0	1.0	5.0	1.0	Depends on 27 collective bargaining contracts being negotiated.
Delaware	4.5		4.5		
District of Col.	5.04	1.04	4.0		Merit is virtually automatic within grade.
Florida	n.a.				
Georgia	8.0	4.0	4.0		
Hawaii	5.0		5.0		
Idaho	0.0		0.0		Public school employees may get 4 percent.
Illinois	n.a.				Negotiations in progress.
Indiana	8.0	5.0	3.0		
Iowa	5.6	1.6	4.0		4 percent effective January 1987.
Kansas	1.6		0.0	1.6	For step and reclassification. Retirement system would be non-contributory.
Kentucky	6.5	1.5	5.0		
Louisiana	n.a.				
Maine	3.5		3.5		In addition are step and merit increases for some employees.
Maryland	5.5		3.5	2.0	"Other" for some classifications. 1 percent step increase additional.
Massachusetts	n.a.				Negotiations in progress.
Michigan	5.0		5.0		Plus 20 cent/hour for pay equity for female dominated classifications.
Minnesota	5.8	0.7	4.1	1.0	

Mississippi	0.0		0.0		
Missouri	3.0	0.5	2.5		
Montana	3.25	2.0	1.25		Plus $120 additional state insurance contribution.
Nebraska	3.0	0.0	3.0		
Nevada	7.5	2.5	5.0		
New Hampshire	5.0		5.0		
New Jersey	n.a.				Negotiations in progress.
New Mexico	5.0		5.0		
New York	5.0		5.0		Plus merit increase at flat $750 - $1,000 or varying percent of salary
North Carolina	n.a.				
North Dakota	4.0		0.0		Distributed at the department's discretion.
Ohio	5.0		5.0		5 percent effective January 87; 4 percent July 87; negotiations still in progress.
Oklahoma	0.0		0.0		
Oregon	3.0		3.0		Agencies pay for merit from vacancy savings.
Pennsylvania	3.5		3.5		35 percent of employees eligible for 4.5 percent step increase
Rhode Island	4.0		4.0		3 percent July 86 and 2 percent January 87. Step increase additional
South Carolina	4.0		4.0		New pay plan; 4 percent average; ranges 3 to 8 percent, plus 5 percent bonus.
South Dakota	4.0		4.0		
Tennessee	5.0		4.5	0.5	"Other" for discretionary equity adjustments.
Texas	3.0		3.0		Agencies may use lapsed funds to give merit increases.
Utah	3.0	1.3	0.0	1.7	"Other" continuation costs and benefit changes.
Vermont	n.a.				Negotiations in progress.
Virginia	6.58	1.92	4.57		
Washington	3.0		3.0		Effective September 1986; excludes state patrol.
West Virginia	$700 or 5%		$700 or 5%		
Wisconsin	6.0	1.5	4.5		
Wyoming	3.3		2.5	0.8	"Other" cost-of-living adjustment.

NEW JERSEY: Fiscal 85—reappropriations and lapses from prior fiscal year and direct charges and credits to surplus.
Fiscal 86—expected appropriation lapses current and prior years ($56 million); proposed supplemental appropriations ($16.6 million), and direct charges/credits to surplus.

OHIO: Fiscal 85—Capital appropriations, plus cancellation of prior year encumbrances.

OKLAHOMA: Decrease in cash flow from fiscal 1986 to 1987 estimated.

PENNSYLVANIA: Fiscal 85—prior year lapses ($41.2 million).
Fiscal 86—prior year lapses ($41.6 million).
Fiscal 87—tax cut ($141 million).

UTAH: Collected from other funds to reimburse general fund for costs.

VERMONT: Adjustments are reversions except for $2.5 million in fiscal 86 which is an appropriation reduction ordered by the governor.

VIRGINIA: Fiscal 85—reappropriation and working capital reserves.
Fiscal 86—transfers from non-general fund accounts and repayment of loans.
Fiscal 87—Miscellaneous transfers from non-general fund accounts.

WISCONSIN: Miscellaneous receipts and general fund interest earnings.

WYOMING: Fiscal 85—Adjustment for accounts receivable.

Explanation of Budget Transfers into/out of the General Fund
($ in millions)

ALASKA: Fiscal 85—permanent fund ($300 million).
Fiscal 86—budget stabilizaton and buffer reserve funds ($351.4 million).
Fiscal 87—budget stabilization and buffer reserve funds ($221.9 million).

ARIZONA: Fiscal 85—transfer to tax protest fund.

COLORADO: Fiscal 85—composed of fund payback ($60.6 millions), supplementals ($1.5 million), and expenditure reversions $11.6 million.
Fiscal 86—composed of fund payback.

CONNECTICUT: Fiscal 85—composed of budget reserve fund ($27 million), education excellence trust fund ($79 million), municipal infrastructure trust fund ($214 million), transportation fund ($25 million), municipal revenue sharing program ($20 million), and surplus adjustment ($19 million).
Fiscal 86—budget reserve fund ($22 million), education excellence trust fund ($20 million), 1986-87 appropriation ($60 million), and surplus adjustment ($5 million).

DISTRICT OF COLUMIBA: Fiscal 85—lottery $35 million', hospitals ($45 million), convention center ($6 million), university ($65 million), housing finance agency ($1 million), capital projects fund ($14 million).

FLORIDA: Transfers shown are between the general revenue fund and working capital fund. It does not account entirely for the change in the WCF balance due to resources deposited and expenditures made directly from this fund.

GEORGIA: Excess revenue collections up to 3 percent are transferred to a reserve fund.

ILLINOIS: Transfers out are for—statutory percentage of income and sales tax receipts, general obligation debt service;
Transfers in—percentage of lottery sales, reimbursements from accounting are for practices.

INDIANA: Fiscal 85—property tax relief fund ($166.5 million) and budget stabilization fund ($145.1 million).
Fiscal 86—property tax relief fund ($206.4 million).
Fiscal 87—property tax relief fund ($238.6 million) and budget stabilization fund ($17.8 million).

KANSAS: Transfer partial balance from four special revenue funds to the general fund.

KENTUCKY: Transfers from general fund to proposed budget stabilization fund.

MAINE:Working capital reserve.

MICHIGAN: Transfer to budget stabilization fund. (Note: $41 million withdrawn from budget stabilization fund in fiscal 86 and $35 million recommended to be withdrawn in fiscal 87 for prison construction).

MINNESOTA: Transfers to debt service, trunk highway, and other.

MISSOURI: Fiscal 85—transfer to cash operating reserve fund.
Fiscal 87—transfer to budget stabilization fund.

NEBRASKA: Fiscal 86—$5 million transfer from cash reserve fund to general fund.
Fiscal 87—$13.5 million transfer from general fund to cash reserve fund.

NEW HAMPSHIRE: Lapses back to general fund from salary and benefit adjustment fund and unexpended appropriations.

NEW MEXICO: Transfers into and from operating reserve.

NEW YORK: Fiscal 85—Transfers into the general fund totalled $134 million, principally reflecting federal reimbursements of social services operating expenses. Transfers out of the general fund totalled $1.5 billion; for debt service on G.O. debt $577 million, $922 million for capital construction.
Fiscal 86—Transfers into the general fund expected to total $138 million, principally reflecting federal reimbursement of social services operating expenses. Transfers out of the general fund estimated at $1.2 billion; $585 million for debt service requirements; $422 million for capital construction; $145 million to replace lower-than-projected lottery proceeds.
Fiscal 87—Transfers into the general fund recommended at $181 million, principally reflecting federal reimbursements for social services operating costs, and surplus balances in debt service funds. Transfers out of the general fund recommended at $1.4 billion; $607 million for debt service requirements, $700 million for capital con-

struction; balance for state subsidies for hospitals and hazardous waste remediation.

OHIO: Fiscal 85 —Transfer of $125 million to budget stabilization fund and $168 million lottery profits to educational excellence investment account and savings and loan stabilization account.
Fiscal 86—repayment to wildlife fund and unemployment account.

OKLAHOMA: Increase in cash flow requirements for fiscal 86 compared to fiscal 85 and transfers to human services fund to replace shortages in collections.

PENNSYLVANIA: Fiscal 86—$105 million transferred into economic revitalization programs to replace anticipated bond funding; $25 million into sunny day fund, a reserve for major economic development projects; $25 million into tax stabilization reserve fund.

RHODE ISLAND: Fiscal 85—$7 million to federal reduction relief fund and $3.6 million to stabilization fund.
Fiscal 86—$6 million to budget stabilization fund.
Fiscal 87—$8 million to budget stabilization fund.

SOUTH CAROLINA: Fiscal 85—transfer to general fund from budget stabilization fund.
Fiscal 86—transfer from general fund to budget stabilization fund.

TENNESSEE: Transfers to capital outlay, highway, and debt service funds.

VIRGINIA: Net transfers from general fund to other funds.

WYOMING: Fiscal 85 and fiscal 86 —transfer to water development account.
Fiscal 87—transfer to budget reserve account.